

DISTRICT OF COLUMBIA

Report of Material Development

April 17, 2008

**\$50,000,000
District of Columbia
Multimodal Revenue Bonds
(American University Issue)
Series 2006, Subseries 2006A**

| MATURITY | CUSIP |
|------------------------|------------------|
| October 1, 2036 | 25484JAA8 |

1. INTRODUCTION

This Report of Material Development is being filed with the Nationally Recognized Municipal Securities Information Repositories (the “NRMSIRs”) in connection with the District of Columbia’s Multimodal Revenue Bonds (American University Issue), Series 2006, Subseries 2006A (the “Bonds”). Capitalized terms used but not defined in this report shall have the meanings given those terms in the official statement dated August 8, 2006 relating to the Bonds (the “Official Statement”).

2. AMERICAN UNIVERSITY INTENDS TO SUBMIT BIDS ON BONDS

Under the terms of the Indenture and the Auction Agent Agreement entered into with respect to the Bonds, the Bonds bear interest at the Auction Rate. The Auction Rate is the lowest rate submitted in a qualifying bid in the auction that allows for the sale of all of the Bonds for which holders have submitted sell orders in that auction, referred to as the “Winning Bid Rate”.

The United States Securities and Exchange Commission (the “SEC”) has recently released guidance regarding certain aspects of the bidding on auction rate securities and may, in the future, release further guidance. If the SEC issues such further guidance, then American University (the “University”) will supplement this Notice of Material Development to the extent it determines is necessary or advisable in light of such guidance.

The University intends to submit or to direct Morgan Stanley & Co. Incorporated (“Morgan Stanley”) (a broker-dealer with respect to the Bonds) to submit, on the University’s behalf, bids in the auctions to purchase the Bonds. Lehman Brothers (“Lehman”) is also a broker-dealer with respect to the Bonds. It should be noted that the interests of the University in bidding (or directing Morgan Stanley to bid on the University’s behalf) in auctions for its own Bonds are different from and, in fact, may be contrary to the interests of an investor because the University is seeking to establish the lowest interest rate on the Bonds while an investor generally seeks the highest interest rate on the Bonds.

The University intends to take the following steps:

- Submit the following bids in the auction on April 21, 2008, to purchase all of the outstanding Bonds not currently owned by the University in the amounts and at the rates indicated:

| <u>Interest Rate</u> | <u>Ordered</u> | <u>Total Ordered</u> | <u>Aggregate Principal Amount of Shares Ordered</u> |
|----------------------|----------------|--------------------------|---|
| 2.10% | 400 | 400 | \$10,000,000 |
| 2.20% | 200 | 1100 | \$5,000,000 |
| 2.30% | 215 | 1200 | \$5,375,000 |
| | 815 | | 20,375,000 |

- Submit Hold orders for 1,185 shares currently owned and held by American University with total principal amount of \$29,625,000.
- Within two (2) business days following the April 21, 2008 auction and at least two (2) business days prior to any future auction in which the University bids (or directs Morgan Stanley to bid) to purchase all, or any portion of, the Bonds on its behalf, the University will provide notice to the NRMSIRs detailing information regarding bidding in such auction, including the amount of Bonds offered for sale in the auction; the number and aggregate dollar amount of bids made; the number of bidders other than Morgan Stanley, Lehman or the University; the number, interest rate(s) and amounts of bids, if any, made

by Morgan Stanley, Lehman or the University; the clearing rate; and the high, low and median bids received. This information and historical information regarding prior auctions will also be made available by posting the notice on <http://www.dacbond.com> and providing a link from the University's public website at <http://www.american.edu/finance/vpfin/AUBondRatings.htm>; providing a link from Morgan Stanley's public website at <http://www.morganstanley.com/about/company/governance/cusips.html>; and providing a link from Lehman's public website at <http://www.lehman.com/fi/ars.htm>.

If Sufficient Clearing Bids exist with respect to the auction on April 21, 2008, (1) the Auction Rate will be reset to the Winning Bid Rate, (2) the University will become the owner of (A) all, or a portion of, the Bonds for which a sale order has been submitted in such auction below the Winning Bid Rate and (B) all, or a portion of, the Bonds for which a sale order has been submitted in such auction at the Winning Bid Rate, and (3) all of the Bonds (whether or not owned by the University and whether or not offered by their respective owners for sale in such auction) subject to such auction will bear interest at the Winning Bid Rate.

The University does not intend to take any steps to allow other holders of the Bonds to sell their Bonds to the University following the auction on April 21, 2008.

The University will not submit or direct Morgan Stanley to submit, on its behalf, any bid in any auction unless the University, in consultation with such professional advisors as it has deemed necessary, has concluded that such bid does not (i) adversely affect the tax-exempt status of the Bonds, (ii) breach any federal or state law or regulation or the rules of any self-regulatory organization or (iii) violate or breach any of the University's charter documents, articles of incorporation or by-laws or any indenture, agreement, bond, note, resolution or other agreement or instrument to which the University is a party.

NRMSIRs

The Report of Material Development will be disseminated to the following NRMSIRs:

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